

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 NEA-06 ISO-00 EURE-00 AID-05 CIAE-00

COME-00 EB-04 FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-01 SIL-01 OMB-01

AEC-05 CEA-01 DODE-00 FEAE-00 FPC-01 H-01 INT-05 L-02

NSC-05 PM-03 SAM-01 OES-02 SS-15 STR-01 PA-01 PRS-01

USIA-06 SAJ-01 /103 W

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P R 141854Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6287

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY JIDDA

AMEMBASSY BERLIN

USMISSION EC BRUSSELS

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: ECON, EFIN, ENRG, GW

SUBJECT: CHANCELLOR SCHMIDT SPEAKS TO PRESS ON UPCOMING

TRIP TO U.S. THE ECONOMIC SITUATION, AND

POSSIBLE REVALUATION OF DM

1.SUMMARY. CHANCELLOR SPOKE FRANKLY ON A NUMBER OF
POINTS, MAINLY ECONOMIC, TO A GROUP OF FOREIGN
JOURNALISTS THE EVENING OF NOVEMBER 14. A TRANSCRIPT OF
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SCHMIDT'S REMARKS IS NOT YET AVAILABLE BUT WE ARE

ATTEMPTING TO OBTAIN SAME (IT DEPENDS ON THE CHANCELLOR'S REVIEW OF THE TEXT). IN THE MEANTIME PARTIAL REPORTS AND SUMMARIES FROM OTHER SOURCES HAVE COME TO THE EMBASSY'S ATTENTION AND THESE ARE SUMMARIZED BELOW. THE EMBASSY WILL TRANSMIT ANY ADDITIONAL PERTINENT INFORMATION CONCERNING THE CHANCELLOR'S REMARKS WHEN AND IF IT BECOMES AVAILABLE. END SUMMARY.

2. ONE OF THE CHANCELLOR'S COMMENTS WHICH GAINED MOST ATTENTION AND CAUSED THE MOST IMMEDIATE REACTION RELATED TO A REVALUATION OF THE DM. THE CHANCELLOR SAID THAT OF THE 130 COUNTRIES THAT PLAY A ROLE IN THE WORLD ECONOMY, 116 HAVE ENCOUNTERED TRADE BALANCE DIFFICULTIES RESULTING FROM THE OIL PRICE INCREASE. ONLY 4 OR 5 COUNTRIES, INCLUDING THE FRG, HAVE A BALANCE OF PAYMENTS SURPLUS. HE SAID THAT IN ORDER TO REDUCE THIS SURPLUS HE WOULD BE PLEASED TO SEE A REVALUATION OF THE DM THROUGH THE FLOATING PROCESS (ONE OF THE FIRST REACTIONS TO THIS WAS A CHANGE IN THE DM-DOLLAR EXCHANGE RATE FROM 2.5590 ON THE FRANKFURT MARKET NOVEMBER 13 TO 2.5305 THE FOLLOWING DAY.)

4. THE CHANCELLOR SPOKE OF THE DANGER OF A GLOBAL RECESSION AND THE JOINT RESPONSIBILITY OF THE US AND THE FRG TO SPUR THE FORMATION OF DECISIONS TO COUNTER THE DANGER OF ECONOMIC COLLAPSE THAT WAS CONFRONTING SOME COUNTRIES. HE WENT ON TO SAY THAT HIS WORRY CONCERNING WORLD-WIDE INFLATION AND THE GROWING UNEMPLOYMENT IS THE MAJOR REASON FOR HIS MEETING WITH PRESIDENT FORD IN DECEMBER.

5. THE CHANCELLOR STATED THAT THERE WERE NO PROBLEMS BETWEEN THE FRG AND THE US AND THAT BILATERAL RELATIONS WERE EXCEPTIONALLY GOOD. SCHMIDT SAID THAT HE WOULD SPEAK WITH PRESIDENT FORD ABOUT MULTILATERAL MILITARY AND POLITICAL TOPICS SUCH AS THE EUROPEAN SECURITY CONFERENCE AND TROOP REDUCTIONS IN EUROPE. HOWEVER, HE EMPHASIZED, THE ECONOMIC PROBLEMS WHICH DERIVE FROM THE SHARP INCREASE IN THE PETROLEUM PRICES WILL BE THE PRINCIPAL TOPIC OF CONVERSATION.

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FM AMEMBASSY BONN

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INFO AMEMBASSY PARIS

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6. THE CHANCELLOR STATED THAT BEFORE MAKING A DECISION ON HIS DOMESTIC ECONOMIC POLICY HE WAS WAITING FOR THREE THINGS: (1) THE REPORT OF THE GERMAN COUNCIL OF ECONOMIC ADVISORS (DUE NOVEMBER 15); (2) HIS VISIT WITH PRESIDENT FORD; AND, (3) THE EC SUMMIT IN DECEMBER.

7. ONE ACCOUNT OF THE OFF-THE-RECORD SECTION OF THE CHANCELLOR'S REMARKS HAD HIM SAYING THAT THE OPEC
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MEMBERS DO NOT EVEN HAVE A VAGUE NOTION WHAT TO DO WITH THEIR OIL BILLIONS. THE ACCUMULATION OF OIL WEALTH WAS AN IMPORTANT CAUSE-- BUT NOT THE ONLY ONE, HE CONCEDED TO AN ARAB QUESTIONER -- OF THE WORLD ECONOMIC DIFFICULTIES. THE PETROLEUM PRODUCING COUNTRIES MUST CHANNEL THEIR MONEY NOT ONLY INTO "LUCRATIVE" PROJECTS BUT ALSO INTO DEVELOPING COUNTRIES. THE CHANCELLOR CONTINUED THAT THE INDUSTRIALIZED COUNTRIES, HARD HIT THEMSELVES, MAY NOT BE ABLE TO CARRY THE DEVELOPMENT BURDEN. SCHMIDT AGREED THAT THE OIL PRODUCERS HAVE MADE A START ON RECYCLING TO HELP THE POOR COUNTRIES BUT MORE MUST BE DONE.

8. A GOVERNMENT SOURCE QUOTED THE CHANCELLOR AS SAYING THAT HE EXCLUDED A GRAND COALITION AS A POSSIBILITY.

9. SCHMIDT ALSO ANNOUNCED THAT HE PLANNED TO VISIT PEKING AT AN UNSPECIFIED DATE IN THE FUTURE.

10. ACCORDING TO ONE SOURCE THE CHANCELLOR SAID (OFF THE RECORD) THAT MUCH AS HE, A HAMBURG-BORN ANGLOPHILE, LIKES BRITAIN, IT IS UP TO U.K. TO STAY IN OR GET OUT OF EC ON MERITS OF THE CASE.
HILLENBRAND

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